

ORIGINAL

NEW APPLICATION



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Thomas L. Mumaw, AZ Bar No. 009223
Pinnacle West Capital Corporation
400 North 5th Street, MS 8695
Phoenix, Arizona 85004
Tel: (602) 250-3630
Fax: (602) 250-3393
E-Mail: Thomas.Mumaw@aps.com

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AZ CORP COMMISSION
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Attorney for Arizona Public Service Company

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS

DOCKETED

JUN 17 2011

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

DOCKETED BY

NR

E-01345A-11-0247

IN THE MATTER OF ARIZONA PUBLIC
SERVICE COMPANY FOR APPROVAL
OF REDUCED SYSTEM BENEFITS
CHARGES.

DOCKET NO. E-01345A-11-____

I. INTRODUCTION

Pursuant to Decision No. 71448 (December 30, 2009), Arizona Public Service Company ("APS" or "Company") hereby requests that the Commission approve the following changes in its currently authorized System Benefits charges.¹

	Current System Benefits Charge Authorized in Decision No. 71448	Proposed System Benefits Charge
All Customers Excluding Low Income Customers	\$0.00210/kWh	\$0.00185/kWh
Low Income Customers	\$0.00185/kWh	\$0.00160/kWh

¹ The System Benefits charge was a product of the Commission's attempts in the late 1990's to move toward retail electric competition and deregulation of certain portions of traditional electric service. It is defined in A.A.C. R14-2-1601(41) as including: "Commission-approved utility low income, demand side management, Consumer Education, environmental, renewable, long-term public benefit research and development, and nuclear fuel disposal and nuclear plant decommissioning programs, and other programs that may be approved by the Commission from time to time." The System Benefits charge would apply to all customers, even those that had chosen another electric supplier, so that these programs would continue to receive adequate funding.

1 The proposed System Benefits charges would become effective January 1, 2012.

2 **II. BACKGROUND FOR THE COMPANY'S REQUEST**

3 In Decision No. 71448, the Commission approved a Settlement Agreement that
4 among other things provided that if APS received approval of its then-pending license
5 extension request from the Nuclear Regulatory Commission ("NRC") for Palo Verde
6 Nuclear Generating Station ("Palo Verde"), APS could implement revised depreciation
7 rates for Palo Verde beginning January 1, 2012. *See* Decision No. 71448 at 10. APS
8 further agreed to request approval of reduced System Benefits charges effective that
9 same date.² Finally, a portion of the Company's expense for the storage of spent nuclear
10 fuel is recovered through the Power Supply Adjustment ("PSA") charge. APS will begin
11 reflecting the lower PSA expense amounts beginning January 1, 2012, but proposes to
12 actually adjust the PSA charge per its approved Plan of Administration on February 1,
13 2012.³

14 **III. IMPACT OF THE PROPOSED SYSTEM BENEFITS CHARGES**

15 The impact on Company retail revenues from the new System Benefits charges is an
16 overall reduction of approximately \$7.2 million per year. For a typical APS residential
17 customer, the System Benefits charge would be reduced by \$0.28 per month, or less than 1% on
18 a total bill basis. In addition, the annual spent fuel storage expense recoverable through the PSA
19 would drop \$3.2 million, or 0.0109 ¢/kWh. This represents a reduction in PSA charges for the
20 same typical APS residential customer of \$0.12 per month, or less than 1%. A complete
21 analysis of typical customer bill impact is shown on Attachment A.

22
23 ² Because of Palo Verde's extended life, both its capital recovery (depreciation) and
24 decommissioning/spent fuel storage costs are spread over more years, thus reducing the annual expense.
25 A second and more significant decline in decommissioning expense will occur in 2016 due to the
26 completion of funding for Palo Verde Unit 2, which under terms of the sale/leaseback transaction
approved by the Commission needs to be fully funded by the end of the initial lease term. Also, APS is
proposing a reduction in the System Benefits Charge in its pending rate case for reasons unrelated to
Palo Verde life extension.

27 ³ APS customers will still receive credit through the PSA for the reduced fuel expense associated with
28 spent fuel storage in January. APS proposes to delay the actual change in the PSA rate until February 1,
2012 to avoid the potential customer confusion of experiencing two PSA rate changes within a 30-day
period.

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IV. CONCLUSION

APS requests that proposed System Benefits charges become effective beginning January 1, 2012, without proration. APS's requested revisions to its System Benefits charges are fully consistent with the terms of the Settlement and Decision No. 71448.

RESPECTFULLY SUBMITTED this 17th day of June, 2011.

By: Thomas L. Mumaw
Thomas L. Mumaw

Attorney for Arizona Public Service Company

ORIGINAL and thirteen (13) copies
of the foregoing filed this 17th day of
June, 2011, with:

Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

COPY of the foregoing mailed/delivered this
17th day of June, 2011 to:

Gary Pierce, Chairman
Bob Stump, Commissioner
Sandra K. Kennedy, Commissioner
Paul Newman, Commissioner
Brenda Burns, Commissioner
Ernest Johnson, Executive Director
Steve Olea, Director Utilities Division
Janice Alward, Chief Counsel
Lyn Farmer, Chief Administrative Law Judge
Jodi Jerich, Director, Residential Utility Consumer Office

Stephani J. Hill

ARIZONA PUBLIC SERVICE COMPANY
Estimated Monthly Bill Impacts from Reducing Systems Benefit charge and PSA
as a result of changes to Palo Verde Decommissioning and ISFSI expenses

	Current	Proposed	Current	Proposed	Current	Proposed
	Annual Average Monthly Bill (1)	Annual Average Monthly Bill (1)	Summer Monthly Bill	Summer Monthly Bill	Winter Monthly Bill	Winter Monthly Bill
Residential (Average - All Rates)						
Average kWh per Month	1,100	1,100	1,337	1,337	863	863
Base Rates (2)	\$ 123.90	\$ 123.62	\$ 161.07	\$ 160.74	\$ 86.72	\$ 86.50
PSA- Forward Component (3)	(2.91)	(3.03)	(3.53)	(3.68)	(2.28)	(2.37)
PSA - Historical Component	(3.32)	(3.32)	(4.03)	(4.03)	(2.60)	(2.60)
TCA	2.36	2.36	2.87	2.87	1.85	1.85
EIS	0.18	0.18	0.21	0.21	0.14	0.14
RES	4.05	4.05	4.05	4.05	4.05	4.05
DSMAC	2.99	2.99	3.63	3.63	2.34	2.34
Total	\$ 127.25	\$ 126.85	\$ 164.27	\$ 163.79	\$ 90.22	\$ 89.91
Bill Impact		\$ (0.40)		\$ (0.48)		\$ (0.31)
Percent Bill Impact		-0.31%				

	Annual Average Monthly Bill (1)	Annual Average Monthly Bill (1)	Summer Monthly Bill	Summer Monthly Bill	Winter Monthly Bill	Winter Monthly Bill
Residential (Rate E-12)						
Average kWh per Month	691	691	780	780	602	602
Base Rates (2)	\$ 86.40	\$ 86.23	\$ 108.04	\$ 107.85	\$ 64.76	\$ 64.61
PSA- Forward Component (3)	(1.83)	(1.91)	(2.06)	(2.15)	(1.59)	(1.66)
PSA - Historical Component	(2.09)	(2.09)	(2.35)	(2.35)	(1.82)	(1.82)
TCA	1.48	1.48	1.67	1.67	1.29	1.29
EIS	0.11	0.11	0.12	0.12	0.10	0.10
RES	4.05	4.05	4.05	4.05	4.05	4.05
DSMAC	1.88	1.88	2.12	2.12	1.64	1.64
Total	\$ 90.00	\$ 89.75	\$ 111.59	\$ 111.31	\$ 68.43	\$ 68.21
Bill Impact		\$ (0.25)		\$ (0.28)		\$ (0.22)
Percent Bill Impact		-0.28%				

	Annual Average Monthly Bill (1)	Annual Average Monthly Bill (1)	Summer Monthly Bill	Summer Monthly Bill	Winter Monthly Bill	Winter Monthly Bill
Commercial (Rate E-32, 0-20 kW)						
Average kWh per Month	1,430	1,430	1,575	1,575.00	1,285	1,285
Base Rates (2)	\$ 202.30	\$ 201.94	\$ 232.85	\$ 232.46	\$ 171.75	\$ 171.43
PSA- Forward Component (3)	(3.78)	(3.94)	(4.16)	(4.33)	(3.39)	(3.54)
PSA - Historical Component	(4.32)	(4.32)	(4.75)	(4.75)	(3.88)	(3.88)
TCA	2.29	2.29	2.52	2.52	2.06	2.06
EIS	0.23	0.23	0.25	0.25	0.21	0.21
RES	14.49	14.49	15.96	15.96	13.02	13.02
DSMAC	3.89	3.89	4.28	4.28	3.49	3.49
Total	\$ 215.10	\$ 214.58	\$ 246.95	\$ 246.39	\$ 183.26	\$ 182.79
Bill Impact		\$ (0.52)		\$ (0.56)		\$ (0.47)
Percent Bill Impact		-0.24%				

ARIZONA PUBLIC SERVICE COMPANY
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	Current	Proposed	Current	Proposed	Current	Proposed
	Annual Average Monthly Bill (1)	Annual Average Monthly Bill (1)	Summer Monthly Bill	Summer Monthly Bill	Winter Monthly Bill	Winter Monthly Bill
Commercial (Rate E-32, > 20 kW)						
Average kWh per Month	62,238	62,238	68,381	68,381	56,094	56,094
Base Rates (2)	\$ 5,977.26	\$ 5,961.70	\$ 7,044.20	\$ 7,027.10	\$ 4,910.31	\$ 4,896.29
PSA- Forward Component (3)	(164.43)	(171.22)	(180.66)	(188.12)	(148.20)	(154.31)
PSA - Historical Component	(187.71)	(187.71)	(206.24)	(206.24)	(169.18)	(169.18)
TCA	144.81	144.81	155.06	155.06	134.55	134.55
EIS	9.96	9.96	10.94	10.94	8.98	8.98
RES	150.53	150.53	150.53	150.53	150.53	150.53
DSMAC	189.52	189.52	202.94	202.94	176.09	176.09
Total	\$ 6,119.94	\$ 6,097.59	\$ 7,176.77	\$ 7,152.21	\$ 5,063.08	\$ 5,042.95
Bill Impact		\$ (22.35)		\$ (24.56)		\$ (20.13)
Percent Bill Impact		-0.37%				

	Annual Average Monthly Bill (1)	Annual Average Monthly Bill (1)	Summer Monthly Bill	Summer Monthly Bill	Winter Monthly Bill	Winter Monthly Bill
Industrial (Rate E34/35)						
Average kWh per Month	3,581,412	3,581,412	3,729,201	3,729,201	3,433,622	3,433,622
Base Rates (2)	\$ 249,125.86	\$ 248,230.51	\$ 259,882.57	\$ 258,950.27	\$ 238,369.15	\$ 237,510.74
PSA- Forward Component (3)	(9,462.09)	(9,852.46)	(9,852.55)	(10,259.03)	(9,071.63)	(9,445.89)
PSA - Historical Component	(10,801.54)	(10,801.54)	(11,247.27)	(11,247.27)	(10,355.80)	(10,355.80)
TCA	1,710.44	1,710.44	1,804.19	1,804.19	1,616.68	1,616.68
EIS	573.03	573.03	596.67	596.67	549.38	549.38
RES	451.60	451.60	451.60	451.60	451.60	451.60
DSMAC	6,395.98	6,395.98	6,746.57	6,746.57	6,045.38	6,045.38
Total	\$ 237,993.28	\$ 236,707.56	\$ 248,381.78	\$ 247,043.00	\$ 227,604.76	\$ 226,372.09
Bill Impact		\$ (1,285.72)		\$ (1,338.78)		\$ (1,232.67)
Percent Bill Impact		-0.54%				

Notes:

- (1) Bill excludes regulatory assessment charge, taxes and fees. Adjustor levels in effect as of March 1, 2011.
- (2) Includes revised System Benefits Charge impact due to \$7M funding reduction from Palo Verde license extension.
- (3) Reflects \$3.2M lower fuel expense from Palo Verde license extension.